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December 8, 2008

Via Electronic Mail and U.S. Mail

Wendi A. Horwitz, Esq.
 Deputy Attorney General
 Department of Justice
 Office of the Attorney General
 300 South Spring Street, Suite 1702
 Los Angeles, California 90013

Re: Notice of Proposed Modification or Rescission of Transaction Documents
 between Tenet HealthSystem Norris, Inc. and University of Southern
 California – Kenneth Norris Jr. Cancer Hospital

Dear Ms. Horwitz:

On May 30, 2003, the Attorney General consented to the sale of the assets of the University of Southern California – Kenneth Norris Jr. Cancer Hospital (“Norris”) to Tenet HealthSystem Norris, Inc. (“Tenet”). The Attorney General’s consent was subject to certain conditions (the “Conditions”), including that University of Southern California (“USC”) and Tenet notify your office of any proposed modification of the transaction or transaction agreements. As you may be aware, USC and Tenet recently entered into a non-binding letter of intent, pursuant to which USC would acquire the USC Norris Cancer Hospital and USC University Hospital. Accordingly, as mandated under Condition I, USC and Tenet hereby notify the Attorney General of the proposed termination of the transaction agreements listed in Condition I (referred to in this notice as the “Transaction Documents”).

As you are aware, many of the Conditions imposed in connection with the Attorney General’s consent were designed to ensure that Tenet’s purchase of the nonprofit assets, and USC’s use of the transaction proceeds, were consistent with the charitable purposes of Norris prior to that sale. Now that the parties are contemplating the transfer of the Norris assets from Tenet to USC, however, certain aspects of the Conditions will no longer be necessary or applicable, and other elements of the Conditions will need to be modified to reflect USC’s ownership. To facilitate your review of these items, we have enclosed a draft of the proposed



amendments for your review and comment, together with a redline showing the changes from the original conditions.

As you will note, a number of Conditions address the parties' contractual obligations that are set forth in the Transaction Documents. If USC acquires the Norris assets, the contractual obligations contained in the original Transaction Documents will terminate and the corresponding Conditions will no longer be applicable. This would affect, among others, the terms of the following Conditions:

- (a) Condition I, which requires notice to the Attorney General of proposed modifications to the Transaction Documents. This will no longer be relevant because the Transaction Documents will be terminated and any post-expiration obligations will be incorporated into a new purchase agreement.
- (b) Condition II, which sets forth the core programs and services of Norris. Under the Transaction Documents, Tenet is required to adhere to a specific procedure—which procedure involves the USC Norris Cancer Center—prior to eliminating or materially reducing the core programs and services of Norris. The Cancer Center is a division of USC and is not separately incorporated. Therefore, once USC acquires the Norris assets, USC will be the only remaining party entitled to make determinations as to the core services and programs of Norris, and this Condition will no longer be necessary.
- (c) As a nonprofit charity, USC will be providing charity care and community benefit programs as a part of its charitable mission. Therefore, Conditions III (now Condition II) has been continued at the same level as the original 2003 conditions and Condition VI (now V) has been continued at the same level as the original 2003 conditions, although USC believes it should select the community benefit programs to sponsor rather than continue the standards developed over 5 years ago.
- (d) The final sentence of Condition VII (now VI), which requires an annual letter from the director of the Cancer Center regarding Tenet's compliance with the Conditions, has been modified to provide for a report from Tenet and USC for their respective periods of ownership during the Annual Period in which the transfer is effected.
- (e) Original Condition IX addressed the noncompete agreement between USC and Tenet regarding Norris. This Condition can be eliminated, as USC will own the Norris facility after effect is given to the transaction. Once USC owns the facility, there will be no potential for USC to compete with the facility.

In addition to the foregoing, because the underlying agreements are herein terminated references to the various obligations that are specific to the Transition Period have been deleted and replaced with the operative language regarding the transfer of patients to the New Tower.



Accordingly, the final paragraph of the narrative that precedes Condition I may be eliminated, along with the first and third sentences of Condition III.

Certain of the Conditions will need to be modified to address the changed circumstances that will result from USC's purchase of the Norris assets. As an initial matter, a statement would be added to the narrative that appears above Condition I, acknowledging the termination of Tenet's obligations and substituting "USC" for the references to "Tenet" contained in Conditions IV, V, VI, VII and IX. Additionally, Condition I would be revised to reflect that USC and Tenet have provided the Attorney General with notice of termination of the original sale and Transaction Documents.

Condition V, which sets forth the requirements relating to the establishment of a foundation and governs the use of the net proceeds of the original sale, will require modification as well. USC and the USC/Norris Cancer Center Foundation (the "Foundation") currently contemplate that the Foundation will distribute the remaining proceeds of the original sale to USC, its sole corporate member. USC will use the proceeds to fund the purchase of the Norris facility. Thereafter, the assets would be used by USC to provide inpatient and outpatient cancer care at the USC/Kenneth Norris, Jr. Cancer Hospital, as a division of USC. In this fashion, the Norris assets would be restored to their original purpose, and their ultimate use would be consistent with the charitable purpose that existed prior to Tenet's purchase of the Norris facility. Such an arrangement would permit USC to utilize the 2003 sale proceeds for a like charitable purpose, benefiting the same class of beneficiaries, as was contemplated under the original Norris articles of incorporation.

Tenet has also advised me that, consistent with prior Tenet sale transactions involving previously nonprofit hospitals subject to Attorney General conditions, Tenet will be requesting a form of a release from these conditions, effective as of the closing of USC's acquisition of Norris and USCUIH. Tenet's counsel has suggested the following language, which could be added as a new Condition or be used in a separate document:

Upon consummation of the transaction transferring ownership of USC University Hospital and USC Norris Hospital to USC, Tenet and its affiliates shall have no obligation or responsibility or liability for any failure of USC on and after such transfer of ownership to comply with these conditions. Consistent with the foregoing, (i) Tenet and its affiliates shall not be responsible in any respect for enforcing these conditions against USC, either in its own right, on behalf of the Attorney General or otherwise, (ii) the Attorney General acknowledges and agrees that no third party shall be permitted to stat a claim or cause of action with respect to which relief can be granted against Tenet or its affiliates based in whole or in part on any act or failure to act on the part of Tenet and its affiliates with respect to these conditions. Upon the

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consummation of the transfer of ownership of USC University Hospital and USC Norris Hospital to USC, the Attorney General acknowledges and agrees that Tenet and its affiliates have fully satisfied and shall be released and forever discharged from an liability arising from the following listed conditions or specified portion thereof, as originally set forth in the Attorney General's letter dated May 30, 2003 (Exhibit 1), and only the following listed conditions or specified portions thereof: Condition II, Condition III for calendar years 2003 – 2008, Condition IV, Condition VI for calendar years 2003-2008 and Condition VIII.

We look forward to discussing these matters with you. Please let me know if you have additional questions or need further information. Please date stamp as received the enclosed copy of this cover letter and return it to me in the self-addressed and metered envelope enclosed herewith.

Thank you very much.

Very truly yours,

Davis Wright Tremaine LLP

Robert L. Schuchard

RLS:tr
Enclosures

cc: Carol M. Mauch Amir, Esq. (w/encl.)
J. Brent McDonald, Esq. (w/encl.)

USC Norris Cancer Hospital Modified Conditions

For the purposes of these conditions and unless the context indicates otherwise, the term “Tenet” shall include Tenet Healthcare Corporation, Tenet HealthSystem Norris, Inc., USC University Hospital, Inc., and any other subsidiary of Tenet Healthcare Corporation associated in any way with the ownership or operation of USC Norris Hospital or USC University Hospital.

For the purposes of these conditions and unless the context indicates otherwise, the term “USC” shall include the University of Southern California, the Keck School of Medicine, and the USC Norris Cancer Center.

For the purposes of these conditions and unless the context indicates otherwise, the term “Annual Period” shall mean a calendar year.

I.

The transaction between Tenet and USC that was approved by the Attorney General on or about May 30, 2003, consisted of the Asset Purchase Agreement, the Cancer Center Support Agreement, the Norris Agreement, the Lease Agreement, the License Agreement and the Indemnification Escrow Agreement, all as filed with the Attorney General. Each of these documents shall be terminated on the effective date of the sale by Tenet of USC Norris Hospital and USC University Hospital to USC.

II.

Until December 31, 2010, USC shall, in each Annual Period, provide at the consolidated USC University Hospital/USC Norris Hospital at least \$825,000 in annual charity care costs. To the extent USC assumes ownership of USC Norris Hospital at any time other than the first day of an Annual Period, USC’s obligation under this Condition II shall be prorated based on the number of full months in such Annual Period USC owns USC Norris Hospital.

The charity care cost figures shall be inflated at the end of the Annual Period at the “All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Riverside-Orange County Consolidated Metropolitan Statistical Area” (CPI_ULA, as published by the U.S. Bureau of Labor Statistics). The definition and methodology for calculating “charity care” and the method for calculating cost shall be the same as that used by the Office of Statewide Health Planning and Development.

If the minimum charity care cost level is not met during an Annual Period, USC shall add the difference between actual charity care costs and the minimum required charity cost for that Annual Period and provide the increased amount of charity care (i.e. the minimum required plus any unmet dollar amount carried over from the prior Annual Period) during the next Annual Period.

III.

In operating USC Norris Hospital and, when all of the USC Norris Hospital acute care services and patients are transferred to the new USC University tower, its cancer programs in the new USC University tower, USC shall adopt policies facilitating physician, nurse and other employee and staff input into healthcare quality and staffing level concerns without fear of retaliation.

IV.

All of the net proceeds of the sale currently held by the USC/Norris Cancer Center Foundation (formerly known as USC/Kenneth Norris Jr. Cancer Hospital) will be distributed to USC to be used to purchase the USC Norris Hospital.

V.

Until December 31, 2013, USC, in its operation of USC Norris Hospital and the cancer programs in the new USC University tower, shall provide an annual minimum of \$500,000 of community benefit programs that are selected by USC. To the extent USC assumes ownership of USC Norris Hospital at any time other than the first day of a calendar year, USC's obligation under this Condition V shall be prorated based on the number of full months in such calendar year USC owns USC Norris Hospital.

VI.

Within 120 days of the end of each of calendar years 2008-2013, Tenet and/or USC, as applicable, shall submit to the Attorney General a report describing in detail its compliance with each condition set forth herein for that portion of the calendar year such party owned and operated the USC Norris Hospital. The chief executive officer of Tenet Healthcare Corporation (or his or her designee) shall certify that any report submitted by Tenet is true and correct. The chief executive officer of University of Southern California (or his or her designee) shall certify that any report submitted by USC is true and correct.

VII.

In operating USC Norris Hospital and, when all of the USC Norris Hospital acute care services and patients are transferred to the new USC University tower, its cancer programs in the new USC University tower, USC shall fully comply with any nurse-patient ratios established by law, including but not limited to any such ratios that may hereafter be adopted by the Department of Health Services.

VIII.

At the request of the Attorney General, USC shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these terms and conditions of the sale of USC Norris Hospital to USC as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret, is privileged under

state or federal law, or if the public interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

IX.

The Attorney General reserves the right to enforce each and every condition set forth herein to the fullest extent provided by law.

USC Norris Cancer Hospital
Modified Conditions

For the purposes of these conditions and unless the context indicates otherwise, the term "Tenet" shall include Tenet Healthcare Corporation, Tenet HealthSystem Norris, Inc., USC University Hospital, Inc., and any other subsidiary of Tenet Healthcare Corporation associated in any way with the ownership or operation of USC Norris Hospital or USC University Hospital.

For the purposes of these conditions and unless the context indicates otherwise, the term "USC" shall include the University of Southern California, the Keck School of Medicine, and the USC Norris Cancer Center.

For the purposes of these conditions and unless the context indicates otherwise, the term "Transition Period" shall be the period between the closing of the proposed transaction and the transfer of acute care services and patients from USC Norris Hospital to the new USC University Hospital. Annual Period" shall mean a calendar year.

I.

The transaction between Tenet and USC that was approved by the Attorney General consists on or about May 30, 2003, consisted of the Asset Purchase Agreement, the Cancer Center Support Agreement, the Norris Agreement, the Lease Agreement, the License Agreement and the Indemnification Escrow Agreement, all as filed with the Attorney General. ~~Tenet and USC shall fulfill the terms and conditions of the transaction. Tenet and USC shall notify the Attorney General in writing of any proposed modification of the transaction, including a proposed modification or rescission of any of the agreements. Such notification shall be provided at least 30 days prior to such modification taking effect to allow the Attorney General to consider whether the proposed modification affects the factors set forth in Corporations Code section 5917. Each of these documents shall be terminated on the effective date of the sale by Tenet of USC Norris Hospital and USC University Hospital to USC.~~

II.

~~The agreements set forth a procedure for the termination or material reduction of any "core programs and services" of USC Norris Hospital after the Transition Period. "Core programs and services" shall include, but not be limited to, anatomic and surgical pathology, bone marrow transplantation, breast cancer, gastro-intestinal cancers, dermatology and melanoma, genetic testing and counseling, gynecologic oncology, hematology, lung cancer, medical oncology, neuro-oncology, plastic and reconstructive surgery, orthopedic oncology, otolaryngology, radiation oncology and urologic oncology.~~

III.

~~During the Transition Period, Tenet shall provide at USC Norris Hospital at least \$525,000 in charity care costs (not charges) for each year from the date of closing (Until December 31, 2010, USC shall, in each Annual Period). After the Transition Period and until seven years after the date of closing, Tenet shall, provide at the consolidated USC University~~

Hospital/USC Norris Hospital at least \$825,000 in annual charity care costs. ~~Tenet's charity care cost~~
To the extent USC assumes ownership of USC Norris Hospital at any time other than the first day of an Annual Period, USC's obligation under this Condition II shall be prorated during the based on the number of full months in such Annual Period in which the Transition Period ends
USC owns USC Norris Hospital.

~~Each of the two~~
The charity care cost figures shall be inflated at the end of the Annual Period at the "All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Riverside-Orange County Consolidated Metropolitan Statistical Area" (CPI-LA, as published by the U.S. Bureau of Labor Statistics). The definition and methodology for calculating "charity care" and the method for calculating cost shall be the same as that used by the Office of Statewide Health Planning and Development.

If the minimum charity care cost level is not met during an Annual Period, ~~Tenet~~USC shall ~~pay~~add the difference between actual charity care costs and the minimum required charity cost to the foundation established under Condition V. ~~Such payment shall be made within six months of the close of the Annual Period.~~
for that Annual Period and provide the increased amount of charity care (i.e. the minimum required plus any unmet dollar amount carried over from the prior Annual Period) during the next Annual Period.

~~This condition shall be in addition to the requirements set forth in section 13.13- (Maintenance of Charity and Indigent Care Policies) of the Asset Purchase Agreement, dated September 30, 2002.~~

~~III.~~IV.

In operating USC Norris Hospital ~~during and after the Transition Period and~~and, when all of the USC Norris Hospital acute care services and patients are transferred to the new USC University tower, its cancer programs in the new USC University tower ~~after the Transition Period, Tenet, USC~~ shall adopt policies facilitating physician, nurse and other employee and staff input into healthcare quality and staffing level concerns without fear of retaliation.

IV.

All of the net proceeds of the sale currently held by the USC/Norris Cancer Center Foundation (formerly known as USC/Kenneth Norris Jr. Cancer Hospital) will be distributed to USC to be used to purchase the USC Norris Hospital.

V.

~~USC shall establish a foundation incorporated as a nonprofit public benefit corporation that has the following charitable purposes:~~

(1) ~~Funding inpatient and outpatient cancer care, including cancer diagnosis and treatment, provided by nonprofit or public entities located in Los Angeles County, including USC, USC Norris Cancer Center and their nonprofit affiliates.~~

(2) ~~Funding of clinical, therapeutic, specimen, and prevention research trials (including the development of such trials) that provide cancer care, including diagnosis and treatment, to patients.~~

~~All of the net proceeds of the sale received by USC Norris Cancer Hospital Corporation shall be used to fund the foundation. The foundation may make such expenditures as necessary to carry out its charitable purposes, including but not limited to the costs of physicians, research nurses and allied health professionals that provide or manage treatment to cancer patients; the costs of collectors of patient data; related administrative expenses; costs to manufacture or purchase compounds used to treat cancer patients; and the related portion of the costs of equipment and software. No foundation funds shall be paid, directly or indirectly, to Tenet or its affiliates, or to any hospital or clinics owned or operated by Tenet, including but not limited to USC Norris Hospital and USC University Hospital.~~

~~USC shall be the sole corporate member of the foundation. Except for the USC Norris Cancer Center Director and the Dean of the Keck School of Medicine, no member of the governing board of either USC Norris Hospital (after the date of closing) or USC University Hospital, and no officer, director, or employee of Tenet or any of its affiliates shall be a member of the board of the foundation. The foundation shall have a diversity of interests represented on its board, and at least two board members shall not be associated with USC, USC Norris Cancer Center or the Keck School of Medicine.~~

~~USC shall submit a petition to the Los Angeles County Superior Court for approval of the charitable purposes of the foundation as successor in interest to USC Norris Cancer Hospital Corporation and for approval of the foundation articles of incorporation. Such petition shall not be submitted without prior review and approval by the Attorney General of the articles of incorporation. Any modification in the foundation's articles of incorporation shall require Attorney General consent and court approval.~~

~~The foundation shall submit each year to the Attorney General a copy of its annual report and its IRS Form 990 filing.~~

VI.

~~For 10 years from the date of closing, Tenet~~Until December 31, 2013, USC, in its operation of USC Norris Hospital during the Transition Period and the cancer programs in the new USC University tower after the Transition Period, shall provide an annual minimum of \$500,000 for those categories of community benefit programs that are identified on page 43 and Exhibit 15 of the Lewin Group Report dated March 1, 2003.~~selected by USC. To the extent USC assumes ownership of USC Norris Hospital at any time other than the first day of a calendar year, USC's obligation under this Condition V shall be prorated based on the number of full months in such calendar year USC owns USC Norris Hospital.~~

~~VI.VII.~~

Within 120 days of the end of each year from the date of closing, Tenet of calendar years 2008-2013, Tenet and/or USC, as applicable, shall submit to the Attorney General a report describing in detail its compliance with each condition set forth herein for that portion of the calendar year such party owned and operated the USC Norris Hospital. The chief executive officer of Tenet Healthcare Corporation (or his or her designee) shall certify that the any report submitted by Tenet is true and correct. The report shall include a letter from the director of the USC Norris Cancer Center setting forth his or her opinion regarding Tenet's compliance chief executive officer of University of Southern California (or his or her designee) shall certify that any report submitted by USC is true and correct.

~~VII.VIII.~~

In operating USC Norris Hospital both during and after the Transition Period and and, when all of the USC Norris Hospital acute care services and patients are transferred to the new USC University tower, its cancer programs in the new USC University tower after the Transition Period, Tenet, USC shall fully comply with any nurse-patient ratios established by law, including but not limited to any such ratios that may hereafter be adopted by the Department of Health Services.

~~IX.~~

The covenant not to compete set forth in paragraph 13.11 of the Asset Purchase Agreement and in paragraph 2 of the Norris Agreement shall be modified to reduce its term from seven years to five years.

~~VIIK.~~

At the request of the Attorney General, Tenet and USC shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these terms and conditions of the sale of USC Norris Hospital to TenetUSC as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret, is privileged under state or federal law, or if the public interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

~~IX.XI.~~

The Attorney General reserves the right to enforce each and every condition set forth herein to the fullest extent provided by law.

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